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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 10, 2002

PETITION OF

WASHINGTON GAS LIGHT COMPANY

CASE NO. PUE-2002-00178

For approval of a plan to
remedy billing errors

ORDER INVITING COMMENTS AND REQUESTS FOR HEARING

On March 25, 2002, pursuant to 5 VAC 5-20-100 B of the Commission's Rules of Practice and Procedure ("Rules"), Washington Gas Light Company ("WGL" or "Company") filed with the State Corporation Commission ("Commission") a petition for approval of "certain aspects" of its plan to remedy billing errors. In its Petition, WGL requested the Commission to approve its plan to use the annual leak survey program to identify customers who have been billed incorrectly.

Background

In March 2001, in response to a customer complaint, the Company initiated an investigation into what it learned was a series of billing errors on its system related to the delivery pressure of gas. It appears from the Petition that the errors occurred over an extended period of time, approximately ten years. As a result of these findings, WGL began a company-wide review to assess the magnitude of the billing errors on the

system. Through this review, the Company has identified errors in its billing system that have caused certain customers to be over- or under-billed.

Based on a sample of customers throughout its system, WGL estimates that of its approximately 380,000 customers in Virginia, a total of approximately 25,800 have been billed incorrectly as a result of these billing errors. Of this total, the Company estimates that approximately 9,500 were over-billed and approximately 16,300 were under-billed.

WGL has currently identified 5,472 customers in Virginia who were billed incorrectly, and has corrected the billing for all of these customers going forward. At the time the billing was corrected, the Company sent a letter to each of these customers advising them that they were being billed incorrectly, but the billing has been corrected going forward, and that they may be entitled to a refund or subject to additional charges.

Plan to Remedy Billing Errors

According to the Company, a Field Audit Team has been formed to identify every customer affected by the billing problem. WGL states that it must perform an on-site inspection of every customer meter in order to determine whether the customer has been billed correctly. The Company believes the optimum method for checking residential and small commercial accounts is through the annual leak survey, which the Company

conducts on one-third of its facilities during April through October each year to meet federal and state requirements that all natural gas facilities be inspected every three years. According to the Company, the leak survey generally cannot be performed during the winter months when frozen ground conditions can interfere with locating a natural gas leak. This will permit the Company to check the actual delivery pressure to one-third of its Virginia residential and small commercial customers every year over the next 31 months. This process would be complete by October 2004. WGL intends to utilize contractors to check large commercial accounts, since the most reliable way to determine the delivery pressure to large commercial accounts is by placing a gauge on the system to measure the delivery pressure.

WGL proposes to make refunds to each over-billed Virginia customer for the period beginning five years before March 2001, when the billing problem was discovered, or as long as the customer received service from WGL at the service address if for a period less than five years before March 2001, until such time as the billing for such customer is corrected. WGL intends to pay interest on all over-billed amounts at the rate applicable to customer deposits as announced in January of each year by the Commission's Division of Economics and Finance. For all Virginia customers who were under-billed, the Company proposes

to charge under-billed amounts for the period beginning five years from the date the billing for each customer is corrected. WGL will not charge interest on such under-billed amounts and would permit customers to spread the payment over the lesser of (i) five years, or (ii) the same period of time over which the arrearage accrued.¹

For those customers affected by the billing errors who have participated in the Company's Customer Choice Program and have purchased gas supplies from one or more competitive service providers ("CSP"), WGL will treat over- and under-billed amounts relating to the Company's Distribution Charges in the same manner as described above. WGL will reconcile with each CSP any over- or under-deliveries of natural gas delivered by the CSP on behalf of its customers in accordance with the tariff provisions in effect at the time. For those CSPs for which WGL performs billing services, the Company will offer to address over- and under-billed amounts relating to natural gas commodity charges in the same manner as described above, flowing through any refund obligations or additional collections, as applicable, to the CSP. For those CSPs that perform their own billing, WGL will provide them with reconciled billing data and will urge each CSP to refund any over-billed amounts to their customers.

¹ WGL notes in its Petition that it views the issues related to the proposed timeframes for which refunds will be made or undercharges collected to be governed by contract law.

NOW UPON CONSIDERATION of WGL's Petition, the Commission is of the opinion and finds that this matter should be docketed; that the Company should give notice to the public of its Petition; that the Petition should be treated as an Application pursuant to 5 VAC 5-20-80 A of the Commission's Rules; that interested parties should have the opportunity to file with the Clerk of the Commission an original and fifteen (15) copies of a pleading responsive to the Company's Petition and should also have an opportunity to request a hearing on WGL's Petition; and that a Hearing Examiner should be appointed to conduct further proceedings on behalf of the Commission in this matter.

We will treat the Company's Petition as an Application pursuant to 5 VAC 5-20-80 A of our Rules, rather than a Petition pursuant to 5 VAC 5-20-100 B. Rule 100 B permits persons having a cause before the Commission, whether by statute, rule, regulation, or otherwise, against a defendant, to file a written petition with the Commission, and permits the defendant to file a response to the allegations contained in the petition. Because WGL is seeking approval of a plan to remedy billing errors caused by the Company itself, there is no cause before the Commission or a defendant per se. Thus, we find that the Company's request is more appropriately governed by 5 VAC 5-20-80 A, which provides for a person or entity seeking to make changes in any previously authorized service, rate, facility, or

other aspect of such industry or business that, by statute or rule, must be approved by the Commission, to file an application with the Commission requesting authority to do so. We will therefore treat WGL's Petition as an application pursuant to 5 VAC 5-20-80 A of our Rules.

We also note that WGL seeks approval from the Commission only to use its annual leak survey program to identify customers who have been billed incorrectly. The Company states that it views the issues related to the proposed timeframes for which refunds will be made or undercharges collected to be governed by contract law, and therefore presumably views these issues as beyond the Commission's jurisdiction. We invite interested parties and affected customers to comment and/or request a hearing not only on the Company's request, but also on the question of whether and to what extent the Commission has jurisdiction over the method and timeframes proposed by the Company to issue refunds and collect undercharges.

Accordingly, IT IS ORDERED THAT:

(1) This matter is hereby docketed and assigned Case No. PUE-2002-00178.

(2) As provided by § 12.1-31 of the Code of Virginia, and 5 VAC 5-20-120 of the Rules, a Hearing Examiner is appointed to conduct further proceedings in this matter on behalf of the Commission. The Hearing Examiner's appointment shall conclude

with the issuance of a written final report and recommendations to the Commission.

(3) A copy of the Company's Application as well as other documents now or hereafter filed in this matter shall be made available for public inspection during regular business hours, from 8:15 a.m. to 5:00 p.m., Monday through Friday, in the State Corporation Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219.

(4) A copy of the Company's Application, as well as a copy of this Order, may be ordered from counsel for the Company, Donald R. Hayes, Senior Attorney, Washington Gas Light Company, 1100 H Street, N.W., Washington, D.C. 20080.

(5) Upon receipt of a request for a copy of the Company's Application, and this Order, the Company shall promptly serve copies of the same upon the requesting party within three (3) calendar days of the receipt of such request.

(6) On or before May 10, 2002, any interested party and the Commission's Staff may file an original and fifteen (15) copies of a pleading responsive to WGL's Application or a request for hearing or both a responsive pleading and a request for hearing with the Clerk of the Commission. Responsive pleadings and/or requests for hearing may address not only the Company's request for approval to use its annual leak survey

program to identify customers who have been billed incorrectly, but also the question of whether and to what extent the Commission has jurisdiction over the method and timeframes proposed by the Company to issue refunds and collect undercharges. Interested parties shall refer in their responsive pleadings or requests for hearing to Case No. PUE-2002-00178 and shall serve a copy of their responsive pleadings or requests for hearing on counsel to the Company, Donald R. Hayes, Senior Attorney, Washington Gas Light Company, 1100 H Street, N.W., Washington, D.C. 20080.

(7) On or before April 26, 2002, WGL shall complete the publication of the following notice to be published as classified advertising, on one occasion in newspapers of general circulation throughout the Company's certificated service territory within the Commonwealth of Virginia and shall, on or before April 26, 2002, serve a copy of the following notice upon the Chairman of the Board of Supervisors of any county, the Mayor or Manager of any city or town, and any equivalent officials in counties, cities, and towns having alternate forms of government, within the Company's service territories in Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION
BY WASHINGTON GAS LIGHT COMPANY FOR
APPROVAL OF A PLAN TO REMEDY BILLING ERRORS
CASE NO. PUE-2002-00178

On March 25, 2002, Washington Gas Light Company ("WGL" or "Company") filed with the State Corporation Commission ("Commission") an application for approval of "certain aspects" of a plan to remedy billing errors. The Company specifically requests that the Commission approve its plan to use the annual leak survey program to identify customers who have been billed incorrectly.

Based on an investigation initiated in March 2001, the Company learned that it made a series of billing errors on its system related to the delivery pressure of gas. These errors in its billing system have caused certain customers to be over- or under-billed. Based on a sample of customers throughout its system, the Company estimates that approximately 25,800 customers in Virginia have been billed incorrectly - approximately 9,500 were over-billed and approximately 16,300 were under-billed.

WGL has assembled a Field Audit Team to identify every customer affected by the billing problem. The Company believes the optimum method for checking residential and small commercial accounts is through the annual leak survey, which the Company conducts on one-third of its facilities during April through October each year to meet federal and state requirements that all natural gas facilities be inspected every three years. The leak survey generally cannot be performed during the winter months when frozen ground conditions can interfere with locating a natural gas leak. This will permit the Company to check the actual delivery pressure to one-third of its Virginia residential and small commercial customers every year over the next 31

months. This process would be complete by 2004. WGL intends to utilize contractors to check large commercial accounts, since the most reliable way to determine the delivery pressure to large commercial accounts is by placing a gauge on the system to measure the delivery pressure.

WGL proposes to make refunds to each over-billed customer for the period beginning five years before March 2001, when the billing problem was discovered, or as long as the customer received service from WGL at the service address if for a period less than five years before March 2001, until such time as the billing for such customer is corrected. WGL intends to pay interest on all over-billed amounts at the rate applicable to customer deposits as announced in January of each year by the Commission's Division of Economics and Finance. For all Virginia customers who were under-billed, the Company proposes to charge under-billed amounts for the period beginning five years from the date the billing for each customer is corrected. WGL will not charge interest on such under-billed amounts and would permit customers to spread the payment over the lesser of (i) five years, or (ii) the same period of time over which the arrearage accrued.

For those customers affected by the billing errors who have participated in the Company's Customer Choice Program and have purchased natural gas supplies from one or more competitive service providers ("CSP"), WGL will treat over- and under-billed amounts relating to the Company's Distribution Charges in the same manner as described above. WGL will reconcile with each CSP any over- or under-deliveries of natural gas delivered by the CSP on behalf of its customers in accordance with the tariff provisions in effect at the time. For those CSPs for which WGL performs billing services, the Company will offer to

address over- and under-billed amounts relating to natural gas commodity charges in the same manner as described above, flowing through any refund obligations or additional collections, as applicable, to the CSP. For those CSPs that perform their own billing, WGL will provide them with reconciled billing data and will urge each CSP to refund any over-billed amounts to their customers.

The Commission has entered an Order that docket the proceeding, requires the Company to give notice to the public of its Application, invites interested parties to file a pleading responsive to the Application or to request a hearing on the same, and assigns a Hearing Examiner to conduct further proceedings in the matter on behalf of the Commission, concluding with the issuance of a written final report and recommendations to the Commission. The Commission also notes in its Order that WGL seeks approval from the Commission only to use its annual leak survey program to identify customers who have been billed incorrectly. The Company states that it views the issues related to the proposed timeframes for which refunds will be made or undercharges collected to be governed by contract law. The Commission invites interested parties to file responsive pleadings and/or request a hearing on the Company's request, but also invites comments on the question of whether and to what extent the Commission has jurisdiction over the method and timeframes proposed by the Company to issue refunds and collect undercharges.

Copies of WGL's Petition and the Commission's Order entered in this matter are available for public inspection in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond,

Virginia 23219, from 8:15 a.m. to 5:00 p.m., Monday through Friday.

Copies of the Company's Application and the Commission's Order may also be ordered from the Company's counsel, Donald R. Hayes, Senior Attorney, Washington Gas Light Company, 1100 H Street, N.W., Washington, D.C. 20080.

Any interested party who wishes to file a pleading responsive to the Company's Application or a request for hearing on the Company's Application shall file with the Clerk of the Commission at the address set forth below on or before May 10, 2002, an original and fifteen (15) copies of a responsive pleading or a request for hearing, or both. On or before May 10, 2002, interested parties filing a responsive pleading or a request for hearing, or both, shall serve a copy of the same upon WGL's counsel at the address set forth above.

All written communications to the Commission concerning WGL's Application must be directed to Joel H. Peck, Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All correspondence regarding said Application must refer to Case No. PUE-2002-00178.

WASHINGTON GAS LIGHT COMPANY

(8) On or before May 7, 2002, the Company shall file with the Clerk of the Commission proof of the publication and service of the notice prescribed in Ordering Paragraph (7) above. Service of the notice prescribed in Ordering Paragraph (7) shall be made by first-class mail or hand-delivery to the customary place of business or residence of the person served. Proof of

the service of the notice prescribed in Ordering Paragraph (7) shall, at a minimum, consist of an affidavit, together with a list of the names and addresses of the persons or entities served.